



Cable's Broadband Platform: Innovation for the Consumer

**Remarks by Kyle McSlarrow, President & CEO
National Cable & Telecommunications Association (NCTA)
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Thanks, Tom, for that introduction . . . and thanks also to the National Press Club Newsmakers Committee for your hospitality today.

While the *issue de jour* – so-called net neutrality – has clearly generated a lot of ink over the past several months, I hope in today's discussion to take a step back from the daily hand to hand combat in order to address some key assumptions about the cable industry and where it is going . . . and to suggest consumers are far better served by a public policy approach that relies on “self-regulatory” actions that facilitate collaborative private sector solutions to complicated technology and business disputes, including issues like network management.

To start this discussion, I'd like to take a few minutes to talk about today's cable industry. While history will record the humble beginnings of an industry that redistributed hard-to-reach broadcast signals, the cable industry today is a true American success story.

The impact of our industry on the American economy is far greater than is usually recognized. In a few days, NCTA will release a new report from Bortz Media. It finds that the cable industry directly and indirectly accounts for 1.5 million U.S. jobs, amounting to nearly five percent of all new net jobs in the U.S. in the last five years. Gross economic output attributable to the industry in 2007 amounted to \$227 billion. Gross economic output attributable to program networks alone was just over \$100 billion in 2007.

It is fairly well known that the cable industry has invested over \$130 billion to deploy hybrid fiber networks and new services over the last decade or so. These investments are being made not just in larger, urban markets, but in rural and mid-sized markets as well. Suddenlink Communications, for example, just completed one of the largest fiber construction projects in the United States last year, a 957 mile fiber ring, which will allow the deployment of new and advanced services to communities in west Texas.

So, just in sheer economic terms, the cable industry today plays a significant role in the American economy that is a story of job creation, investment, and deployment of new technologies. But continued growth cannot rely on a business as usual approach,

especially not in an age of unparalleled competition and choice. Our future success depends on our willingness to face forward and embrace new ideas, new paradigms and new ways of responding to and serving our customers. And our approach can be summarized as embracing innovation and open markets and platforms and as focusing on the customer.

First, our industry will continue to embrace innovation as the key to winning in a competitive marketplace.

There was a time of course -- not too long ago -- when we and our customers saw cable simply as a way to watch television, and that was it. But we have certainly come a long way from that . . .

The cable industry is increasingly seen as the leading broadband platform, providing and enabling the kinds of services that policymakers uniformly agree will be critical to America's future success.

That is an exciting position to be in the marketplace.

You will occasionally hear it said, however, that "real" innovation only takes place on the edge of the network . . . that broadband networks are just "pipes." But such a view wrongly assumes a false rivalry between innovation at the edge and in the network and totally ignores the new paradigm we see in today's broadband marketplace.

In this new world, we are part of an interactive "Internet ecosystem" and as platform providers we benefit when that ecosystem is healthy and consumers are able to obtain the benefits of the products and services they want. Unfortunately, this point is lost on many of the net neutrality advocates whose stilted view of networks informs the almost laughable allegation that we have an interest in undermining the "new world" of broadband to protect the "old world" of linear video . . . in which case, we sure are wasting a lot of time and money enabling all these great applications.

The truth is that consumers benefit when innovation takes place in the home, on the network, in the cloud . . . and certainly includes the applications and content we all create and use. And public policy, I submit, should ensure that government does not constrain innovation and investment by any player in this marketplace. It is false to paint this as a "zero-sum" game . . . networks and content or applications providers should and will naturally find the place they can maximize innovation, and we all need each other to do that.

Innovation drove the decision to create cable modem service and it is a resounding success. In 2000, there were only 4 million cable broadband customers in the U.S.; today there are 37 million.

Interestingly, innovation often begets innovation.

Congress' wise decision in 1996 to deregulate our industry allowed us to invest in and build a broadband platform . . . that, to the surprise of many, actually produced the first-ever facilities-based competitor in residential phone service. With over 16 million digital phone customers already, this innovation alone is estimated to provide \$100 billion in savings to consumers and small businesses over the next five years.

And, today, a new round of innovation is beginning to take shape, made possible by a new generation of cable modems that enable cable operators to increase Internet access speeds by more than 10-fold. With potential speeds of more than 100 megabits per second both downstream and upstream, it is obvious why we call it "wideband."

Comcast launched wideband service in Minneapolis-St. Paul in April, and will make wideband available to 20% of its systems by the end of the year. Other companies plan to begin trials and deployment by the end of this year.

With wideband, the potential of the Internet takes off. As broadband speeds increase, all the great ideas and game changers we've been talking about for years, like telecommuting, telemedicine, or distance learning are likely to be significantly improved in a way that brings huge benefits to our society. Web- and Internet-based applications that wideband can make possible are limited only by our imagination.

And cable will be the wideband provider of choice. Cable's existing high speed network already covers 92 percent of all American households, and enables our providers to deploy wideband in a much more ubiquitous and cost-effective manner than is available to our competitors.

Second, our industry has embraced open markets and platforms.

The cable industry has grown by engaging and maintaining strong partnerships. I am well aware that we have not always embraced that model in the past. But we know that in a competitive world, strong partnerships and collaboration are a must in order to serve our customers.

We have already seen how retail competition for network devices can drive deployment and benefit consumers. In 1996, this industry began to offer what we then called high-speed Internet access and now call broadband. In order to spur this massive deployment, we developed the specs for the cable modem and sparked the availability of what are now some 665 models from 109 vendors. This allowed our customers the choice of leasing a modem or purchasing one from a retail store. This competitive retail option no doubt helped drive the successful consumer adoption of our nationwide broadband service.

We want to do the same thing with interactive television.

But our vision is broader than simply enabling retail competition for devices . . .

When it comes to our core video service, our vision is very simple: we want anyone to go into any retail store, buy a flat screen high definition television, take it home and access any service – including interactive services yet to be created – without having to use a set top box, and do all that with just one remote control. I can't be the only one here who has this reaction . . . which is that it is about time.

And that brings me to what we call tru2way technology . . .

Tru2way is an open platform technology that will provide consumers a new world of choices. Hundreds of consumer electronics manufacturers, software applications companies, content creators and cable operators played a role in its development, and continue to do so as it is refined.

It is important to note that tru2way technology is not exclusive, but is available to other providers of multichannel video service for use on their systems. Moreover, since other providers may prefer to use other interactive technologies, we remain open to discussing an idea that we raised last summer with the telephone companies and satellite video providers. That idea was to explore the development of an “all-provider” solution that would allow providers to make their own technology selection, differentiate their offerings, and use different network-specific devices to connect to plug-and-play equipment using a common interface.

Over the last two years, we have worked with great partners like Panasonic, Samsung, and LG, and we are pleased that Panasonic is here today and demonstrating three new tru2way products. One is the tru2way plasma HDTV, expected to be available at retail in the holiday 2008 season, and the others are an HD-DVR set top and, my personal favorite, a portable DVR that you can take with you to another location after recording your favorite shows.

Tru2way also allows third-party applications developers to write new, creative and interactive applications once and have them run on any system that supports tru2way technology. A couple of weeks ago, we hosted a tru2way Developers Conference in New Orleans at the Cable Show. Zodiac Interactive won an award for best interactive application for technology that allows viewers to use the remote to search for local information of all types without interrupting the TV viewing experience.

Yet, with all this activity, there were still skeptics . . . who challenged the cable industry's commitment to support this technology and questioned whether the vision could be achieved by our industry working as partners with consumer electronics manufacturers.

That is why the announcement of the Memorandum of Understanding (MOU) signed with Sony two weeks ago was so significant. While dozens of manufacturers and hundreds of applications developers had already embraced the tru2way vision, what was needed was a national framework for cable operator deployment and support for tru2way

products that could attract additional manufacturers to this effort and allow all of us to concentrate on that partnership and to focus on the consumer.

Like most resolutions of complicated technical and business disputes, this agreement is a compromise. But I am convinced it is a resolution that is good for the American consumer.

That is why I am especially pleased to announce today that leading CE and technology companies like Samsung, Panasonic, Intel, Digeo and ADB have also signed the MOU. Including manufacturers like LG and Toshiba plus chip makers like AMD and Broadcom, which have licensed the tru2way technology, we now have the critical mass necessary to provide consumers a competitive retail solution for new and innovative services . . . and television will in all likelihood never be the same.

To our friends in the consumer electronics industry, and particularly to my friend, Gary Shapiro, I want to say thank you for working constructively to find ways that we can work together. We now know what we want to deliver to consumers and how to do it. Let's get it done, together.

Finally, and with apologies to James Carville, "it's the customer, stupid."

Our industry serves a number of customer niches with an array of services and products. As I've tried to make clear just now, customers and competition drive the need for innovation and open markets. Quite simply, customers have to be the central focus of everything we do.

You might expect me to avoid the subject of customer service . . . but we're always striving to make sure our customers are happy, so we don't find the kind of customer feedback you see reflected in some surveys acceptable. Nor do we find comfort in knowing that the telecommunications sector, including our competitors, is similarly ranked below other industries.

What we do know is that on a fundamental level, consumers love our services and they intuitively understand the great value they receive. Certainly, the shift of market share to cable programming networks attests to that. And, interestingly, cable operators are rated highest in consumer satisfaction in the delivery of phone service in all six regions surveyed by J.D. Power and Associates. But on another level, with customer service for increasingly complex services delivered 24-7, we know we are not meeting all of our customers' expectations and we simply have to keep improving. And an enormous amount of attention and resources is being devoted to that task.

Part of that task is what is happening now . . . cable operators are hiring and training thousands of customer service reps and opening dozens of high-tech call centers. At a time when customers purchase a bundle of services, companies like Cox

Communications provide consumers ease of use by offering a single bill, a single technician and a single point of contact when they call for help.

But focusing on the customer is also about providing consumers choice, services and tools they can use in the digital age . . .

Cable programmers have led the digital and high definition revolution. In 1992, HBO was the first television network to distribute its services digitally, in part to create more choice for consumers by multiplexing signals that enabled the delivery of multiple streams of programming.

Four years ago, there were 9 national cable networks available in high definition. Today, there are 77. And plans have been announced to launch several dozen more in the next year, in addition to the thousands of hours of high definition programming available to consumers through innovations like video on demand.

All of us have seen the various ads back and forth about which industry has more high definition content. The good news for consumers is that the high definition advertising battle is a sign of a fully competitive marketplace. And suffice it to say that we have every intention of winning this battle.

The combination of high definition with the unparalleled investment made by program networks will produce a golden age of television, and consumers are going to love it.

Conclusion

So, if I can close on a public policy point . . .

All of the innovations I've discussed today – from tru2way, to video on demand, to digital phone and wideband -- came without government intervention or micromanagement, although at certain points there were helpful public policy nudges. And all of the technology breakthroughs I've discussed came about through partnerships and cross industry collaboration. And there is every reason to believe this is how consumers are best served.

I would suggest that agreements like the Sony MOU serve as a model for resolving complicated technology issues. What is required is, first, that private sector participants respect one another's ability to innovate and, second, a shared focus on expanding consumer choice.

It is a lesson that gives encouragement to initiatives that are taking place right now on issues involving network management and Internet regulation. Despite the reflexive desire by some to involve government in every private sector dispute, the fact that engineers from Internet service providers, Internet applications providers, peer to peer networks and content companies are working together in forums like the Internet

Engineering Task Force or DCIA's Best Practices Working Group is good news for consumers. The history of the Internet is one of collaboration and self-regulation, and we should redouble our efforts to ensure that model stays relevant before just throwing up our hands and inviting the government in.

Consumers love our broadband services . . . and, case in point, while all these controversies swirled around for the last six months, cable beat the telephone companies in net broadband subscriber additions for the last three quarters.

That doesn't mean we can or should ignore criticisms or challenges to the status quo . . . far from it. Someone once described customer service as a conversation. And I would argue that our industry needs to be far more engaged online and in the blogosphere listening to our customers and sharing our story in a transparent way.

If we are truly listening to and focused on the consumer, our partners and our competitors can collaborate in circumstances where regulators and policymakers can exercise appropriate oversight and concentrate on those situations where true market failures appear. The evidence is overwhelming that marketplace collaboration and self-regulation is a pro-consumer approach that deserves our support. And the cable industry stands willing to do just that.

Thank you. I look forward to answering your questions.

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